

Message Text

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ACTION EB-08

INFO OCT-01 EA-12 ISO-00 CAB-05 CIAE-00 COME-00
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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 4632

INFO AMEMBASSY CANBERRA

AMEMBASSY SUVA

AMCONSUL AUCKLAND

UNCLAS WELLINGTON 05896

EO 11652: N/A

TAGS: EAIR NZ

SUBJECT: MERGER OF NEW ZEALAND'S TWO AIRLINES

1. AIR NEW ZEALAND (ANZ), THE INTERNATIONAL CARRIER, AND NATIONAL AIRWAYS CORPORATION (NAC), THE DOMESTIC CARRIER, WILL MERGE TO FORM NEW ZEALAND AIRLINES (NZA) ON 1 APRIL 1978. THE NEW COMPANY (WITH ITS HEAD OFFICE IN AUCKLAND) WILL HAVE A NEW CONSTITUTION AND BE A LIMITED LIABILITY COMPANY UNDER THE COMPANIES ACT 1955.

2. THE DECISION TO MERGE STEMS FROM TWO REPORTS. THE FIRST, PREPARED IN 1960, WAS THE BASIS OF A DECISION THEN, NOT TO MERGE. THE SECOND, PREPARED EARLY 1970'S WAS STUDIED BY A STEERING COMMITTEE REPRESENTING THE MINISTRY OF TRANSPORT AND THE TWO AIRLINES AND THE DECISION TO MERGE NAC AND ANZ WAS THE RESULT.

3. IT IS ANTICIPATED THAT THE SINGLE AIRLINE (NZA) WILL SAVE SOME 10 MILLION DOLLARS ANNUALLY IN THE LONGER TERM. BETWEEN THEM BOTH AIRLINES HAVE STAFF OF SOME 8,300, AIRCRAFT WORTH 200 MILLION DOLLARS AND FIXED
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ASSETS OF 260 MILLION DOLLARS.

4. NO DECISION HAS YET BEEN MADE ON THE COMPOSITION OF THE BOARD OF DIRECTORS. TIPPED FOR THE POSITION OF CHAIRMAN IS PRESENT MINISTER OF LABOR GORDON, WHO IS DUE TO RETIRE LATE 1978. AIR NEW ZEALAND EXECUTIVES ARE HAPPY WITH THE MOVE BUT NAC PERSONNEL APPEAR

DISSATISFIED, THE FEELING BEING THAT IT IS A TAKEOVER
RATHER THAN A MERGER.

5. THE MERGER WILL ALLOW THE SMALLER BOEING 737'S
OWNED BY NAC TO BE USED ON CERTAIN PACIFIC ROUTES, WHILE
LARGER CAPACITY ANZ PLANES CAN BE USED DURING PEAK
PERIODS WITHIN NEW ZEALAND. IT ALSO OPENS THE WAY FOR
AN APIA-TONGA-AUCKLAND SERVICE IN CONJUNCTION WITH
POLYNESIAN AIRLINES. SELDEN

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